

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Regional, Municipal, and Neighborhood Summary

The town of Salisbury is located in Essex County in northeastern Massachusetts. It is bordered on the west by the town of Amesbury, on the south by the Merrimack River and Newburyport, on the east by the Atlantic Ocean, and on the north by Seabrook, New Hampshire. Salisbury has a population of approximately 7,500, with a land area of 16.13 square miles. The town is 40 miles north of Boston and 20 miles south of Portsmouth, New Hampshire. The town lies within the Merrimack Valley region of eastern Massachusetts.

Salisbury is predominantly a residential community. There is a sizable influx of tourists to Salisbury Beach and the Salisbury Beach State Reservation during summer, both of which are along the Atlantic Ocean, approximately two miles east of the town's small central business district. Salisbury Beach is a popular tourist destination for families throughout New England and the Maritime Provinces of Canada. A large percentage of those who travel to Salisbury Beach during summer vacation rent or own cottages on or near the beach. It is also a popular day trip for many throughout the Merrimack Valley who drive to the beach for a day of swimming, sun bathing and frequenting the shops and arcades adjacent to the beach.

The subject property is located on the west side (i.e., opposite the beach side) of Ocean Front South in the Salisbury Beach section of town. It also fronts on Atlantic Avenue, which is one block from the beach. Ocean Front South runs in a southerly direction from Broadway, which marks the epicenter of the Beach district. The subject is just over one block south of the intersection with Broadway.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Land uses in the vicinity of the subject property consist of a mixture of residential and commercial uses. The majority of uses are residential. Commercial uses dominate one block north of the subject. The commercial uses in the vicinity of the subject are mostly seasonally oriented shops, fast-food restaurants, arcades and taverns that lie on both sides of Broadway and the first block of Ocean Front South. Most of the residential uses in the vicinity of the subject range from single family houses to multi-family structures, many of which have been converted to condominiums over the past few years. Residential condominium development on Salisbury Beach has expanded dramatically over the past few years.

Utilities serving the neighborhood include telephone and electricity on overhead lines. There are municipal water and sewer lines serving the district. The public water service is under the jurisdiction of the Pennichuck Water Company, a private company that manages the public system for the Town. Additional sewage capacity exists at the Town's sewage treatment plant, but public water is in limited supply. Natural gas is also available in the beach area.

In conclusion, the regional economy slowed considerably from early 2000 through 2003, with continued losses in manufacturing employment exacerbating demand for office and industrial space. Unemployment increased over most of this decade, despite real growth in the labor force. More recently, the manufacturing sector continues to contract, albeit at a slower pace, but consumer spending remains high. Despite continued excess supply of office and industrial space, the residential market has continued to expand with prices increasing rapidly for all types of housing in eastern Massachusetts and southern New Hampshire. The regional economic base remains diverse and one of the strongest in the nation. Most informed observers feel that the regional economy should continue to improve during 2006.

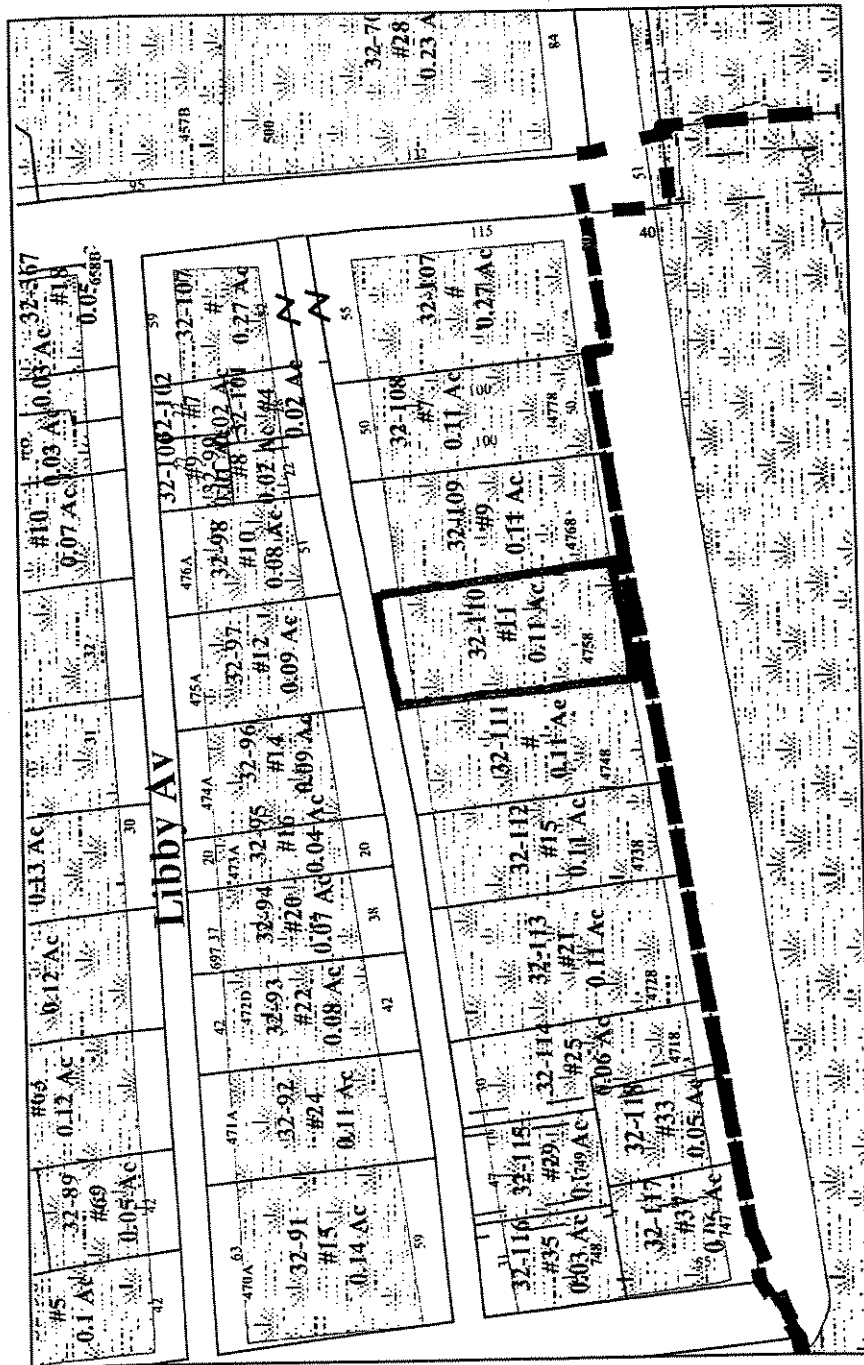
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



SUBJECT ASSESSOR'S MAP

(subject parcel highlighted – Atlantic Ocean to the right)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Site and Improvements Summary

The subject land area is 0.11 acre. It has approximately 50 feet of frontage on the west side of Ocean Front South and fifty feet on the east side of Atlantic Avenue. The parcel is nearly rectangular. The site is directly across the street from Salisbury Beach and the Atlantic Ocean.

The topography of the site is level. It appears that the entire site is located in a Zone C district, according to the Flood Insurance Rate Map prepared by the Federal Emergency Management Agency, Panel # 250103 0005 D, dated 7/2/92.³ Utilities available to the site include public water and sewer, telephone, electricity and gas.

The apartment building occupies most of the site. There is paved parking on the Atlantic Avenue side of the building for approximately six cars. The gross building area is 7,830 square feet. According to the Assessor's property record card, there are six dwelling units in the building.

Improvements to the land consist of a three-story wood-frame building. The roof is a gambrel design, covered with standard weight asphalt shingles. The exterior walls are a combination of concrete block and vinyl siding over wood sheathing. The foundation is concrete block. Access to the interior of the building was not provided, but is assumed to be consistent with similar use buildings. The building appears to be in average condition, with no observed deficiencies.

³ Zone C is defined as "areas of minimal flooding" by the Federal Emergency Management Agency. Zone B is defined as "areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths of less than one (1) foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood. Zone A is defined as "areas of 100-year flood" (Where the Zone A designation is followed by a numerical sub-designation, the 100-year flood area includes "base flood elevations and flood hazard factors".)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Highest and Best Use Summary

Highest and best use is defined as:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.⁴

The subject property is located within the Beach Commercial district under the Salisbury Zoning Bylaw. This district allows a fairly broad range of commercial and residential uses, including: one and two-family dwellings; amusements; automobile repairs, sales and service; bakery; campground; carwash; department store; motel, hotel, cabins; professional and business office building; restaurants (including fast food); retail stores. (This list is not exhaustive.)

The district has no minimum lot area or street frontage requirements. Commercial use buildings can occupy up to 100% of the lot area; residential uses buildings up to 90% lot coverage. All uses have a maximum building height of 35 feet. A minimum of two parking spaces per dwelling unit is required.

In May, 2005, the Town adopted a new Salisbury Beach Overlay District and Site Plan Review process. The subject property is not located within the Overlay District.

In consideration of market issues, it appears that the highest and best use of the 11 Atlantic Avenue property is its current use: a six-unit residential apartment building.

⁴ The Appraisal of Real Estate, 10th edition. Appraisal Institute, 1992.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Methodology

The three standard approaches to estimate value include the cost approach, the sales comparison (market data) approach and the income capitalization approach.

Two approaches are applicable to this assignment: the sales comparison approach and the income capitalization approach. Since an interior inspection of the property was not performed and no information was provided with respect to historical income and expenses of the property, no income approach has been performed. The cost approach is not applicable due to the age of the improvements.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Sales Comparison Approach

The sales comparison approach provides an estimate of market value by comparing the subject property with recent sales of similar properties. The major premise of this approach is that the market value of a property can be directly related to the prices of comparable, competitive properties. The five steps generally involved in this process are outlined on the following page:

1. Identify recent sales of similar properties for which transaction data are known.
2. Verify the information regarding the arms-length nature of the comparable transactions and terms.
3. Compare the attributes of the subject property with those of the comparable properties and adjust for any differences that may have impacted sales price. Specific consideration should be given to issues of time, location, physical characteristics, conditions of sale and current yield data.
4. Identify a unit of comparison between the subject and comparable properties that allows inferences to be made regarding the probable sales price of the subject property.
5. Reconcile the various value indications produced from the analysis of comparable properties to a single value or value range.

The following pages present sales of multi-family properties in the Salisbury Beach area.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #1
50 & 55 Atlantic Avenue
Salisbury, Massachusetts

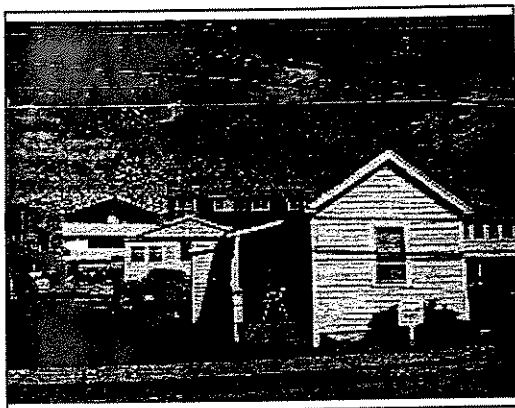


Grantor:	William F. Lajoie
Grantee:	Joseph M. and Renee M. Espinola
Title Reference:	Essex South Land Court; Doc. #450564
Map/Lot:	32/122
Date of Sale:	February 2, 2005
Land Area:	0.13 acre
Dwelling Units:	6
Sale Price:	\$1,500,000
Gross Building Area:	5,580 square feet
Price/Dwelling Unit:	\$250,000
Price/SFGBA:	\$268.82
Utilities:	Municipal water and sewer, gas and electric
Sales History:	No sales within prior three years
Financing:	All cash to seller
Comments:	This is the sale of a six-unit apartment property built in 1949. This property consists of two buildings. One unit is oceanfront and three units are oceanside. The second building is located across the street. It contains two units with a parking area for 10-12 cars. The buildings were in good condition at the time of sale.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Comparable Sale #2
57-63 Railroad Avenue
Salisbury, Massachusetts



Grantor:	Alfred J. and Jacqueline Nichols
Grantee:	KGO Management, LLC
Title Reference:	Essex South Land Court; Doc. #433332
Map/Lot:	32/86
Date of Sale:	February 4, 2004
Land Area:	0.27 acre
Dwelling Units:	5
Sale Price:	\$555,000
Gross Building Area:	3,521 square feet
Price/Dwelling Unit:	\$111,000
Price/SFGBA:	\$157.63
Utilities:	Municipal water and sewer, gas and electric
Sales History:	No sales within prior three years
Financing:	All cash to seller
Comments:	This is the sale of a five-unit apartment property built in 1920. This property consists of four buildings. The property is four short blocks to the beach. There is ample on-site parking. The buildings were in good condition at the time of sale.

PETERSEN/LACHANCE REALTY ADVISORS

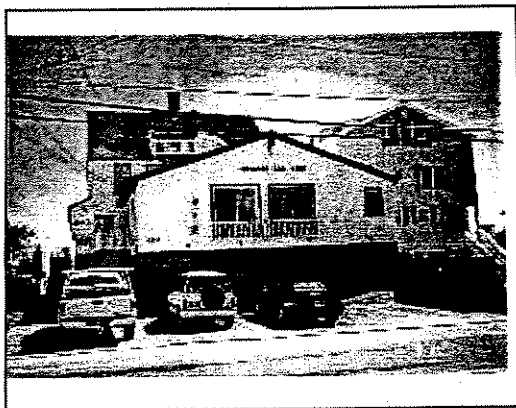
Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

Comparable Sale #3
290 North End Boulevard
Salisbury, Massachusetts



Grantor:	Thomas M. Fregeau
Grantee:	Ocean Six, LLC
Title Reference:	Essex South Land Court; Cert. #67051
Map/Lot:	34/107
Date of Sale:	March 2, 2004
Land Area:	0.22 acre
Dwelling Units:	3
Sale Price:	\$727,500
Gross Building Area:	3,907 square feet
Price/Dwelling Unit:	\$242,500
Price/SFGBA:	\$186.20
Utilities:	Municipal water and sewer, gas and electric
Sales History:	No sales within prior three years
Financing:	All cash to seller
Comments:	This is the sale of a three-unit apartment property built in 1910. The property is oceanfront. There is on-site parking for approximately six cars. The building was in good condition at the time of sale.

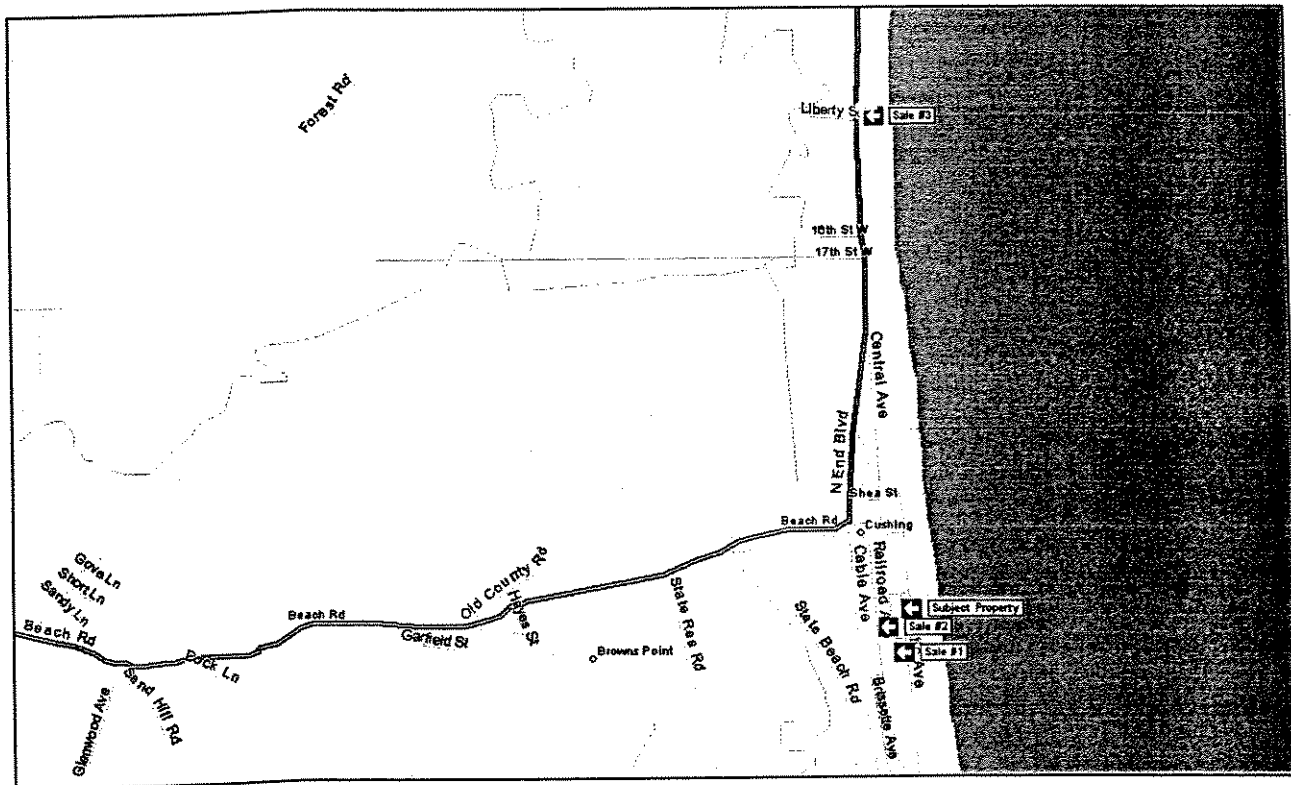
PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting

100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456



COMPARABLE SALES LOCATION MAP

PETERSEN/LACHANCE REALTY ADVISORS

*Appraisal • Evaluation • Consulting**100 Conifer Hill Drive**Danvers, Massachusetts 01923**(978) 750-6667 • fax (978) 750-0456*

Analysis and Reconciliation of Sales Data -- The table below summarizes the most comparable improved property sales. No attempt to adjust the sales has been made.

Sale #	Sale Date	Dwelling Units	Location	\$/SFGBA	\$/Unit
Subject		6	Beach Across St.		
1	2/05	6	Beachfront	\$268.82	\$250,000
2	2/04	5	Beach 4 Blocks	\$157.63	\$111,000
3	3/04	3	Beachfront	\$186.20	\$242,500

The more relevant unit of comparison appears to be the price per dwelling unit. The subject property is across the street from the beach and at least some of the units have unobstructed ocean views. Based on the data presented, it appears that the subject's value should fall somewhere in a range between Sale #2 and Sale #3, based on proximity to the beach. Since the subject is across the street from the beach, but Sale #2 is four blocks from the beach, the subject's unit price should fall closer to Sale #3. However, both Sales #1 and #3 appear to be in superior condition in comparison to the subject. Reconciling the data, the most supportable value is in the vicinity of \$175,000 per dwelling unit, or \$1,050,000.

*** \$1,050,000 ***

(ONE MILLION FIFTY THOUSAND DOLLARS)

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Professional Qualifications

JOHN G. PETERSEN, MAI, SRA

John G. Petersen is a partner in the firm of Petersen/LaChance Realty Advisors, a real estate appraisal and consulting firm serving public, private and institutional clients throughout New England and the Northeast.

Prior to establishing Petersen/LaChance, Mr. Petersen was affiliated with Byrne McKinney & Associates, Inc., in Boston, where he was a Senior Associate. Prior to this, he was Vice President/Senior Review Appraiser with Home Owners Federal Savings, one of the largest savings and loan associations in the Northeast. Other professional experience includes various appraisal and brokerage positions as well as community development and city planning positions with local governments in Massachusetts. His real estate appraisal and consulting experience exceeds 20 years.

Mr. Petersen is a member of the Appraisal Institute, having been awarded both the MAI and SRA designations. The Appraisal Institute is the oldest and most prestigious professional appraisal organization in the country. His appraisal experience includes, but is not limited to, apartment and condominium projects, residential properties, industrial facilities, biotechnology facilities, food processing facilities, gas stations, convenience stores, retail centers, office properties, hotels, motels, car washes, marinas, boatyards, junkyards, nursing homes, assisted living facilities, airports, self-storage facilities, mobile home parks, farms, schools, special use properties and land development projects. In addition, Mr. Petersen has experience in highest and best use studies, feasibility and market studies, and the valuation of partial interests, such as easements and leaseholds, as well as those involving minority interest discounts. He has extensive experience in complex, multi-tenant property valuation and evaluation assignments and is proficient in both Pro-Ject® and Argus® financial analytical software. He has also consulted on various land use and development projects.

Mr. Petersen has served in several leadership capacities in the Appraisal Institute, including: chair and vice chair, Chapter Admissions Committee; chair, (National) Experience (peer) Review Committee; member, Ethics and Counseling Committee; chair, Chapter Examinations Committee; chair, Chapter Government Relations Committee. He served two, three-year terms on the Board of Directors of the Massachusetts Chapter of the Appraisal Institute. He is the Chapter President for 2006 and a Regional Representative.

PETERSEN/LACHANCE REALTY ADVISORS

Appraisal • Evaluation • Consulting
100 Conifer Hill Drive
Danvers, Massachusetts 01923
(978) 750-6667 • fax (978) 750-0456

Mr. Petersen holds a Bachelor of Science degree from Northeastern University. He is the former chair of the Amesbury Planning Board and former chair of the Amesbury Industrial Development Commission. He is licensed by the Commonwealth of Massachusetts as a Construction Supervisor (#019079) and Real Estate Broker (#9062031). Mr. Petersen is a state certified-general appraiser in Massachusetts (#837), New Hampshire (#405) and Maine (#1297) and has qualified as an expert witness before the Federal Bankruptcy Court, Essex County Superior Court and the Massachusetts Appellate Tax Board. He is also a licensed aviator and has performed a broad variety of valuation and consulting assignments throughout the Northeast.